

Message Text

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ACTION EUR-12

INFO OCT-01 ISO-00 CIAE-00 PM-05 INR-07 L-03 ACDA-12
NSAE-00 PA-02 SS-15 PRS-01 SP-02 USIA-15 TRSE-00
NSC-05 OMB-01 EB-08 /089 W
-----129392 121616Z /46

R 121544Z JAN 78
FM AMEMBASSY LONDON
TO SECSTATE WASHDC 1968
SECDEF WASHDC
INFO USMISSION USNATO
USCINCEUR
USNMR SHAPE

UNCLAS SECTION 01 OF 02 LONDON 00574

E.O. 11652: GDS
TAGS: UK MPOL
SUBJECT: DEFENSE BUDGET INCREASE

1. THE PUBLIC EXPENDITURE WHITE PAPER DUE TO BE MADE
PUBLIC JAN 12 CONTAINS THE FOLLOWING TABLE COVERING THE
DEFENSE BUDGET:

POUNDS MILLIONS AT 1977 SURVEY PRICES

	DEFENCE BUDGET	NATIONAL ACCOUNTS ADJUSTMENTS	TOTAL
72-3	6506	-55	6451
73-4	6415	-45	6370
74-5	6164	-41	6123
75-6	6447	-2	6445
76-7	6326	35	6361
77-8	6244	11	6255
78-9	6286	3	6289
79-80	6466	28	6494
80-1	6660	--	6660
81-2	6660	--	6660

THE TEXT FOR THE TABLE ABOVE IS AS FOLLOWS: BEGIN TEXT
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DEFENCE BUDGET

1. IN ACCORDANCE WITH USUAL PRACTICE THE GOVERNMENT'S
DEFENCE POLICY OBJECTIVES WILL BE DESCRIBED IN THE 1978
STATEMENT ON DEFENCE ESTIMATES. THE DEFENCE BUDGET IS
CENTRAL GOVERNMENT EXPENDITURE, NEARLY ALL OF IT ON
GOODS AND SERVICES. IT INCLUDES EXPENDITURE BY THE
DEPARTMENT OF THE ENVIRONMENT ON DEFENCE WORKS SERVICES.

THE DEFENCE BUDGET IS NET OF VARIOUS RECEIPTS TO BE ITEMISED IN DEFENCE ESTIMATES, WHICH WILL INCLUDE EXPECTED PAYMENTS UNDER THE RECENTLY ANNOUNCED OFFSET AGREEMENT WITH THE FEDERAL REPUBLIC OF GERMANY. FOR 1977-78 DEFENCE BUDGET ESTIMATES PROVIDE FOR TOTAL RECEIPTS OF POUNDS 865 MILLION. ABOUT 95 PERCENT OF DEFENCE BUDGET EXPENDITURE IS CASH LIMITED.

2. THE DEFENCE BUDGET FIGURES IN THE TABLE ABOVE REFLECT CHANGES WHICH HAVE TAKEN PLACE SINCE CMND 6721 WAS PUBLISHED. THE SHORTFALLS IN DEFENCE BUDGET EXPENDITURE IN 1976-77 AND 1977-78 ARE LARGELY DUE TO UNAVOIDABLE DELAYS IN WORKS AND EQUIPMENT PROGRAMMES. THE CHANGE IN THE DEFENCE BUDGET FIGURE FOR 1978-79 REFLECTS THE POUNDS 8 MILLION INCREASE ANNOUNCED AS PART OF THE MEASURES TO ASSIST THE CONSTRUCTION INDUSTRY, LESS A SMALL ADJUSTMENT TO OFFSET AN ESTIMATING INCREASE IN CERTAIN OF THE NATIONAL ACCOUNTS ADJUSTMENTS. THE MAIN POLICY DEVELOPMENT SINCE CMND 6721 HAS BEEN THE AGREEMENT REACHED BY NATO MINISTERS IN THE SUMMER OF 1977 THAT THEY SHOULD AIM AT AN ANNUAL INCREASE IN DEFENCE EXPENDITURE IN THE REGION OF 3 PERCENT FOR THE PERIOD 1979 TO 1984 IN ORDER TO AVOID A CONTINUED DETERIORATION IN THE RELATIVE DEFENCE CAPABILITIES OF NATO AND THE WARSAW PACT. THE PROVISIONAL DEFENCE BUDGET FIGURES FOR 1979-80 AND 1980-81 HAVE BEEN REVISED IN THE LIGHT OF THIS AGREEMENT, AND THEY PROVIDE FOR ANNUAL GROWTH OF

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3 PERCENT OVER THE REVALUED CMND 6721 FIGURE FOR 1978-

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NSAE-00 PA-02 SS-15 PRS-01 SP-02 USIA-15 TRSE-00

NSC-05 EB-08 OMB-01 /089 W

-----129367 121617Z /46

R 121544Z JAN 78

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TO SECSTATE WASHDC 1969
SECDEF WASHDC
INFO USMISSION USNATO
USCINCEUR
USNMR SHAPE

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79. THE 1980-81 FIGURE WILL BE SUBJECT TO REVIEW IN THE
1978 SURVEY IN THE LIGHT OF OUR ECONOMIC CIRCUMSTANCES.
THE FIGURE FOR 1981-82 IS AT THIS STAGE SIMPLY A REPEAT
OF THE FIGURE FOR 1980-81. A FIRM FIGURE FOR 1981-82
WILL BE DETERMINED IN DUE COURSE IN THE LIGHT OF
DEVELOPMENTS IN THE ECONOMY AND THE PLANNED DEFENCE
PROGRAMME.

NATIONAL ACCOUNTS ADJUSTMENTS

3. THE CHANGES IN THE NATIONAL ACCOUNTS ADJUSTMENTS
REFLECT INCREASES IN THE PLANNED LEVEL OF CAPITAL
EXPENDITURE BY THE ROYAL ORDNANCE FACTORIES AND, FOR
L976-77, CHANGES IN THE LEVELS OF THEIR STOCKS AND WORK
IN PROGRESS. THERE HAVE ALSO BEEN ESTIMATING CHANGES
IN OTHER OF THE NATIONAL ACCOUNTS ADJUSTMENTS. END
TEXT.

2. THE CHANGES FROM LAST YEAR'S WHITE PAPER, CMND 6721
REVALUED ARE GIVEN AS FOLLOWS: BEGIN TEXT:
CHANGES FROM CMND 6721 REVALUED
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76-7 77-8 78-9 79-80 80-1
DEFENCE BUDGET -218 -85 #6 -55 #119
CMND 6721
REVALUED 6544 6329 6280 6521 6541
NATIONAL ACCOUNTS
ADJUSTED #48 #14 #6 #5 #3
CMND 6721
REVALUED -13 -3 -3 #23 -3
END TEXT.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 jan 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MILITARY BUDGET
Control Number: n/a
Copy: SINGLE
Draft Date: 12 jan 1978
Decaption Date: 01 jan 1960
Decaption Note:
Disposition Action: n/a
Disposition Approved on Date:
Disposition Case Number: n/a
Disposition Comment:
Disposition Date: 01 jan 1960
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1978LONDON00574
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: DG ALTERED
Executive Order: N/A
Errors: N/A
Expiration:
Film Number: D780018-0739
Format: TEL
From: LONDON
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1978/newtext/t19780169/aaaacgje.tel
Line Count: 163
Litigation Code IDs:
Litigation Codes:
Litigation History:
Locator: TEXT ON-LINE, ON MICROFILM
Message ID: bc38fce3-c288-dd11-92da-001cc4696bcc
Office: ACTION EUR
Original Classification: UNCLASSIFIED
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: n/a
Previous Handling Restrictions: n/a
Reference: n/a
Retention: 0
Review Action: RELEASED, APPROVED
Review Content Flags:
Review Date: 07 feb 2005
Review Event:
Review Exemptions: n/a
Review Media Identifier:
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
SAS ID: 3783100
Secure: OPEN
Status: NATIVE
Subject: DEFENSE BUDGET INCREASE
TAGS: MPOL, UK
To: STATE DOD
Type: TE
vdkgvwkey: odb://SAS/SAS.dbo.SAS_Docs/bc38fce3-c288-dd11-92da-001cc4696bcc
Review Markings:
Sheryl P. Walter
Declassified/Released
US Department of State
EO Systematic Review
20 Mar 2014
Markings: Sheryl P. Walter Declassified/Released US Department of State EO Systematic Review 20 Mar 2014